CIMIC Group Ltd.

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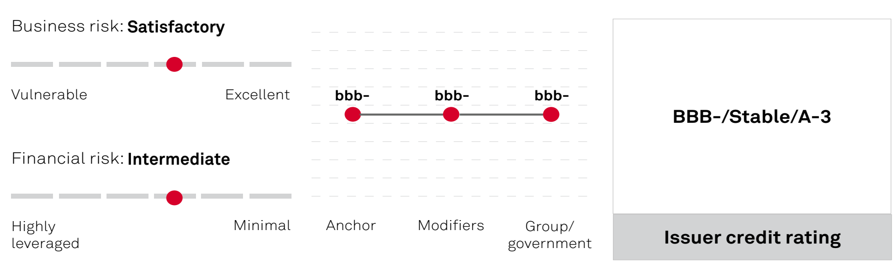
This report does not constitute a rating action.

Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Established market positions in Australia's infrastructure construction, engineering, maintenance services, and contract mining sectors.	Credit metrics pressure from exposure to legacy fixed-price major projects that weigh on our assessment of the stand-alone credit profile (SACP).
Moderate earnings visibility from long-term contracts, high renewal rates, and solid project pipeline.	Exposure to the cyclical engineering and construction industry.
Transition to collaborative-style contracts provides greater margin certainty for the group's construction business, contrasting with the volatility of fixed-price contracts.	Potential exposure to large working capital swings.

We believe CIMIC Group Ltd. will focus on restoring its credit metrics to a level commensurate with the 'bbb-' SACP. Under our base, the company will likely deleverage over the next two years. Key to this forecast is the group's ability to improve its margins following the full consolidation of the Thiess business while delivering higher free operating cash flow.

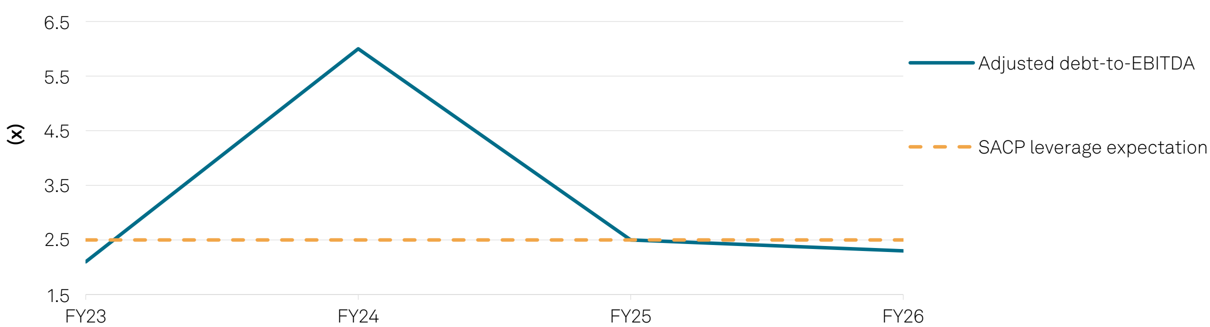
CIMIC will benefit from monetizing growing work-in-hand and greater margin stability given its shift toward lower-risk collaborative-style contracts. Accordingly, our deleveraging forecast is based on a combination of moderate underlying EBITDA growth and declining net debt.

That said, continued uncertainty regarding the size of the exposure to the group's legacy major fixed-price projects will weigh on the business performance and its credit metrics, in our view. Residual exposure related to the Westgate tunnel project will be resolved upon project completion, scheduled for later in 2025. Additionally, the state governments of New South Wales and Queensland have indicated that further delays are expected for Sydney's M6 motorway and Brisbane's Cross River Rail projects. Accordingly, we believe the ultimate exposure to these projects remains uncertain.

CIMIC's normalized underlying leverage for 2024 is about 2.6x, compared with the headline adjusted leverage of 6.0x. The higher number reflects the following significant factors:

- An A$880 million adjustment, comprising of a negative A$800 million revenue adjustment and a A$80 million cost provision (for details, see "Legacy Project Issues Weigh On CIMIC," published Aug. 25, 2024); and
- 10% ownership increase in Thiess in April 2024. As a result, the statutory figures reflect not only the A$320 million acquisition cost but also the full consolidated debt. However, the figures only account for approximately eight months of earnings from Thiess given the timing of the acquisition.

CIMIC is focused on restoring its adjusted leverage below 2.5x in the next two years



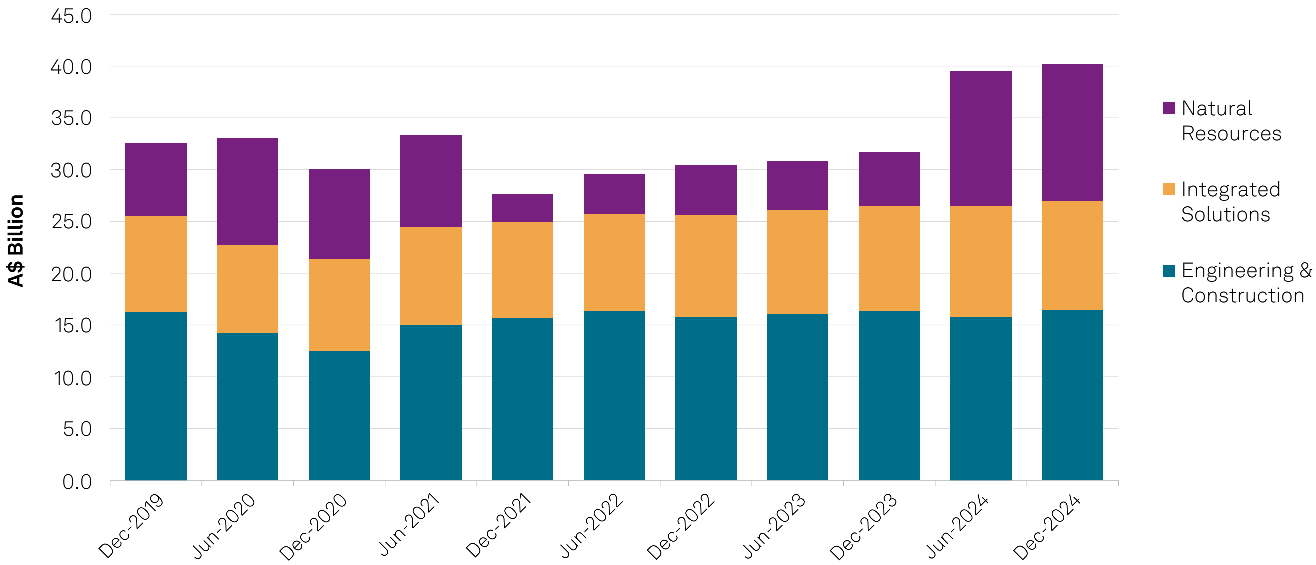
Source: S&P Global Ratings.

CIMIC's diverse operating segments and large order book will continue to underpin its business position. The group has well-established positions in Australia's construction, engineering, maintenance services, public-private partnerships, and contract mining sectors. It can adapt its business model to market activity across a number of end-markets, including transport, healthcare, defense, renewable energy, data centers, and minerals processing.

Reflecting market trends, CIMIC has expanded its role in the value chain for Australia's energy transition, securing contracts for renewable generation, battery storage, and electricity grid expansion, supported by its subsidiary UGL Ltd. This diversification helps offset the decline of large government-sponsored civil contracts in rail and road projects and contributed to growth in work-in-hand to A$40.2 billion for 2024.

CIMIC's geographical diversity across the Asia-Pacific region also helps mitigate exposure to operating risks and the inherent localized cyclicality in the construction industry.

CIMIC's well balance work-in-hand supports revenue growth



Source: Company reports, S&P Global Rating.

CIMIC's shift of its construction contract portfolio to more collaborative-style contracts enhance margin certainty, in our view. These contracts promote sharing of project risks by aligning incentives between project stakeholders and generally provide greater margin stability, with some contracts structured as cost reimbursement plus margin. Cash flows are more evenly distributed across a project life as payments are based on a percentage of a project completion. CIMIC reports about 90% of its contracts by value now comprise these lower-risk collaborative-style contracts. While these contracts do not in of themselves result in a trade-off of risk for profitability, by their nature they are unlikely to deliver the profit upside if completed inside the contractual amount.

That said, the key advantage is avoidance of significant losses due to misjudging project complexities or unforeseen events that result in delays and cost overruns. CIMIC's legacy major fixed-price contracts highlight these challenges. For example, CIMIC has agreed to forego its profit margin for the Westgate tunnel project as part of the resolution of a dispute regarding liability related to soil contamination. This resultant drag on group profitability should unwind following project completion this year (see West Gate Tunnel Dispute Resolution Provides Clarity For CIMIC, Dec. 20, 2021).

Under our base case, we forecast CIMIC's EBITDA margin (excluding Thiess) at about 6%-7% for 2025-2026, compared with approximately 6.5% in 2023. We estimate that at the group level, CIMIC's service businesses, combined with the higher-margin Thiess business, will deliver margins of 11%-12%.

Elliott Investment Management LP's exercise of the Thiess put option from 2025 would benefit CIMIC's business and improve financial flexibility. Since CIMIC sold a 50% stake in Thiess to Elliott in 2020, Thiess has continued to grow organically and through acquisitions. The company's revenue jumped to A$6.1 billion in 2024 from A$3.4 billion in 2020. Additionally, as CIMIC increasingly focuses on business related to the energy transition, the inclusion of Thiess will broaden the group's service offerings across the energy transition value chain. Mining services is a capability that no other division offers within CIMIC or the Actividades de Construccion y Servicios SA (ACS) parent group.

Elliott has a put option to sell its remaining 40% stake in Thiess to CIMIC between April 2025 and December 2026. In the event Elliott exercises the option, we expect CIMIC to have the funding to purchase the shares. That said, we expect the ultimate parent ACS would provide support to CIMIC to purchase the Thiess shares, most likely through Hochtief AG. This would be to preserve CIMIC's credit quality, in our view, given the latter's status as a core entity. Following the put-option exercise, the fixed distributions of A$162.3 million currently paid to Elliott in relation to the preference shares would be available to CIMIC, thereby aiding financial flexibility, and could potentially reduce net debt.

We expect CIMIC to remain a core subsidiary of ACS. Our ratings on CIMIC remain aligned with those on its parent, ACS (BBB-/Stable/A-3). ACS owns about 80% of Hochtief, which owns 100% of CIMIC. The issuer credit ratings on CIMIC are linked to those on Hochtief and ACS because of CIMIC's strategic and financial importance to the group. We expect CIMIC (including full consolidation of Thiess) will likely contribute 45%-50% of adjusted EBITDA for the ACS group.

Outlook

The stable outlook on CIMIC reflects the outlook on the ultimate parent, ACS, given our view of CIMIC and its immediate parent, Hochtief AG, as core subsidiaries of the ACS group. We therefore equalize the ratings and outlook on CIMIC with those on the ultimate parent.

The stable outlook on ACS and its core subsidiaries reflects our view that resilient operating performance and a high order backlog should support reasonable rating leeway in the coming years. This should translate into adjusted FFO-to-debt ratio of 25%-30%, which is within the threshold for the rating. We anticipate that further business-accretive, prudently sized transactions, such as those that further reduce the group's complexity and increase concessions exposure, could weigh on metrics, but without prompting a downgrade.

Downside scenario

We could lower the rating on CIMIC if the rating on ACS were to be lowered. Assuming no material change in our view of the business profile, this may occur if ACS' adjusted FFO-to-debt ratio falls below 25% amid deteriorating market conditions, without near-term recovery prospects. Additional large investments without a corresponding business profile improvement, or adjusted FFO-to-debt ratio falling below 20% following such investments, would likely also lead to a negative rating action.

Downside rating pressure could also occur if our assessment of the importance of CIMIC to the ACS group weakens, together with a weaker SACP for CIMIC.

Upside scenario

Rating upside on CIMIC is contingent on a rating uplift for ACS. This may occur if the ACS group's clear commitment to more conservative financial policies translated into adjusted FFO-to-debt ratio comfortably above 30% at all times.

Our Base-Case Scenario

Assumptions

- Australia's real GDP growth of 2.1% in 2025 and 2.2% in 2026;
- Underlying revenue growth for CIMIC of 4.5%-5.0% in 2025-2026. This assumes contract growth across various operating segments, notably energy transition, sustainable infrastructure, and natural resources, supported by the existing work-in-hand and continued conversion of the tendering pipeline into new contracts. However, we expect civil construction to slow due to decreased spending by Australian state governments;
- Underlying group EBITDA margin of 11%-12% for the next two years as the group executes its projects, moderated by higher costs such as labor expenses;
- Effective tax rate of about 20%, reflecting CIMIC's operations in overseas jurisdictions where the tax rates are lower than the Australian statutory rate of 30%;
- Lease liability growth of 3%-4%;
- CIMIC's dividend distributions of approximately 15% and 60% of net profit after tax in 2025 and 2026, respectively;
- Working capital outflow to average less than A$100 million per year in 2025 and 2026;
- Trade receivable securitizations (net of cash withheld) of A$260 million-A$290 million in 2025-2026;
- Adjusted gross capex, including Thiess, of A$0.90 billion-A$0.95 billion per year in 2025-2026; and
- Bolt-on acquisitions of about A$50 million per year in 2025-2026.

Key metrics

CIMIC Group Ltd.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. AUD)	2023a	2024a	2025e	2026f
Revenue	16,231	16,758	20,180	21,160
EBITDA	1,539	988	2,310	2,420
*Underlying EBITDA^*		*2,280*		
Funds from operations (FFO)	1,062	218	1,500	1,620
Cash flow from operations (CFO)	758	1,065	1,660	1,815
Gross capital expenditure (capex)	563	703	910	950
Free operating cash flow (FOCF)	194	362	750	865
Dividends	181	53	120	390
Discretionary cash flow (DCF)	14	309	630	475
Net Debt	3,296	5,968	5,700	5,530
Adjusted ratios				
Debt/EBITDA (x)	2.1	6.0	2.5	2.3
*Underlying Debt/EBITDA^*		*2.6*		
FFO/debt (%)	32.2	3.6	26.3	29.3
Annual revenue growth (%)	24.3	3.2	20.4	4.9
EBITDA margin (%)	9.5	5.9	11.4	11.4
Return on capital (%)	16.7	4.2	17.4	17.8

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. A$--Australian dollar.

^The underlying EBITDA is presented to show the expected normalized earnings for the group. This figure reflects the add back of A$880 million, which includes A$800 million in revenue adjustments and A$80 million cost provisions. Additionally, it accounts for four months of earnings from Thiess, reflecting the 10% ownership increase that occurred in April 2024.

CIMIC's adjusted leverage could fall modestly below 2.5x by 2026. Our base case for deleveraging is driven by incremental revenue growth combined with an improvement in EBITDA margins.

However, we believe the deleveraging path hinges on the following factors:

- Continuing conversion of CIMIC's growing work-in-hand pipeline into revenue growth while maintaining margins (excluding Thiess) at 6%-7%. Margin stability is supported by the portfolio's shift to collaborative contracting models, moving away from the fixed-price contracts that may offer higher returns but involve greater risks, in our view.
- Annual group underlying revenue growth of 4.5%-5.0% in 2025-2026. While growth has been robust in the energy space, the civil construction segment is slowing due to fewer major projects being undertaken. We expect that growth in energy transition, advanced technology, sustainable mobility, social infrastructure, and natural resources (Thiess) will offset the slowdown in civil construction.
- Modest revenue growth and margin recovery for Thiess. We project revenue growth of 3.0%-3.5% and an improvement in EBITDA margins to 23%-24% in 2025-2026. Margins should improve due to business efficiencies and the exit of underperforming contracts that weighed on performance during 2024.
- Adherence to its financial policy and commitment to maintain a financial profile consistent with a 'bbb-' SACP. We believe CIMIC is committed to reducing its leverage below the 2.5x level we expect for its SACP.

Cash flow contribution from Thiess is constrained while Elliott retains the Thiess put option. Following CIMIC's increase in ownership to 10% in April 2024, Elliott retains a 40% stake in Thiess through preference shares. These shares entitle Elliott to receive annual distributions of about A$162.3 million.

Given that Thiess operates a capital-intensive business with large capital expenditure (capex) and lease repayment obligations, this effectively constrains the cash reserves that Thiess can accumulate, and consequently, the amount it can contribute to CIMIC. CIMIC would benefit from the ability to retain the Elliott distributions if Elliott decides to exercise the put option between April 2025 and December 2026. See Financial Risk section for further details.

We do not anticipate further substantial increases in operating expenses for materials and labor because we believe these costs will be effectively managed to preserve earning margins. The cost increase follows a period of heightened inflation in materials and a tight labor market, both of which appear to have peaked. Additionally, we expect restructuring efforts will support cost reductions in 2025-2026.

Increased operating expenses from business-growth and an A$880 million adjustment, which includes A$800 million in revenue adjustments and A$80 million cost provisions, caused the group's leverage to spike to 6.0x for 2024 from 2.1x in 2023. We've presented the 2024 normalized EBITDA to clarify the group's underlying earnings. See Forecast summary table for further details.

Major legacy projects where CIMIC retains most of the project risk continue to pose challenges to the group. These projects typically involve fixed-price contracts, meaning CIMIC bears the burden of any potential cost overruns, after utilizing contract-specific contingencies.

For the M6 motorway project, the state government disclosed that two geotechnical events occurred in March 2024, which could delay the project until late 2028. The government has stated that more information on the revised cost will be provided once available. While the specific amount has not been quantified, CIMIC has included the M6 motorway project in other contingencies in the 2024 annual report. We understand that a solution is still pending between the project stakeholders.

We do not factor in any future write-downs or provisions related to these projects into our base case because the extent of any delay or remediation costs remains uncertain at this point. This presents a key risk that could hinder CIMIC's de-leveraging path under our base case.

Company Description

CIMIC is an engineering-led global infrastructure company with core activities across infrastructure and resource projects mainly in Australia and Asia-Pacific. The company provides end-to-end solutions across various sectors, including civil infrastructure (transport, tunnels, airports, and water), social infrastructure (healthcare, education, and defense), energy transition (solar farms, battery storage systems, and transmission lines), advanced technology (data centers and telecommunications), and critical minerals (minerals processing and resources infrastructure).

CIMIC's construction and energy transition operations are conducted through its subsidiaries.

CIMIC, through its Thiess joint venture (JV), also provides contract mining services for metallurgical and thermal coal, iron ore, gold, nickel, and copper production. In April 2024, CIMIC raised its ownership in Thiess to 60% from 50% by acquiring 10% of preference shares and ordinary shares from its JV partner, Elliott. The group also provides design, construction, and operation of mineral processing plants and associated mine site infrastructure through its 100% owned subsidiary Sedgman Pty Ltd.

CIMIC is a subsidiary of Hochtief, which now owns 100% of CIMIC after taking over minority shareholdings in 2022. The ultimate parent is ACS, which owned about 80% of Hochtief as of Dec. 31, 2024.

Peer Comparison

Reflecting CIMIC's extensive operating businesses in Australia and Asia-Pacific, the companies that typically compete with CIMIC tend to be large, multinational corporations with diverse capabilities.

In our opinion, Strabag SE, Webuild SpA, Worley Ltd., and Fluor Corp. are the closest rated peers for CIMIC. In the construction sector, we consider Strabag and Webuild to be similar entities. In the mining services sector, we view Worley and Fluor to be peers.

Strabag is based in Austria and is one of Europe's largest construction groups. The company's Australian business has large projects in utilities management, and in the construction of tunnels and dams.

Webuild is a midsized Italian construction company focused on infrastructure construction contracts. The company has a substantial presence in the U.S. and exposure to high-risk emerging markets such as Ethiopia, Panama, and Venezuela. Its high-profile contracts in Australia include Snowy 2.0, Sydney Metro Northwest, and tunneling work for the North-East Link project.

Australia-based Worley and U.S.-based Fluor are engineering, procurement, construction, and maintenance companies with global projects. These companies have the capabilities to build ore processing plants, mine-site infrastructure, and refineries.

With the consolidation of Thiess, CIMIC's underlying EBITDA margin should generally be at the upper end of the range for this peer group.

CIMIC Group Ltd.--Peer Comparisons

	CIMIC Group Ltd.	Strabag SE	Webuild SpA	Worley Ltd.	Fluor Corp.
Foreign currency issuer credit rating	BBB-/Stable/A-3	BBB+/Stable/--	BB/Positive/--	BBB/Stable/--	BB+/Stable/NR
Local currency issuer credit rating	BBB-/Stable/A-3	BBB+/Stable/--	BB/Positive/--	BBB/Stable/--	BB+/Stable/NR
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2023-12-31	2024-06-30	2024-12-31
Mil.	A$	A$	A$	A$	A$
Revenue	16,758	28,529	16,027	10,653	26,364
EBITDA	988	2,094	1,339	869	916
Funds from operations (FFO)	218	1,794	992	657	827
Interest	637	86	229	116	74
Cash interest paid	565	34	230	113	68
Operating cash flow (OCF)	1,065	2,829	3,107	677	1,338
Capital expenditure	703	877	719	95	265
Free operating cash flow (FOCF)	362	1,951	2,388	582	1,073
Discretionary cash flow (DCF)	309	1,514	2,274	311	848
Cash and short-term investments	2,194	5,527	4,963	539	4,782
Gross available cash	2,194	5,527	4,963	539	4,782
Debt	5,968	0	945	1,556	0
Equity	1,384	7,150	2,742	5,497	6,451
EBITDA margin (%)	5.9	7.3	8.4	8.2	3.5
Return on capital (%)	4.2	21.8	14.7	8.5	91.5
EBITDA interest coverage (x)	1.6	24.3	5.8	7.5	12.3
FFO cash interest coverage (x)	1.4	53.4	5.3	6.8	13.2
Debt/EBITDA (x)	6.0	0.0	0.7	1.8	0.0
FFO/debt (%)	3.6	NM	105.0	42.2	NM
OCF/debt (%)	17.8	NM	328.9	43.5	NM
FOCF/debt (%)	6.1	NM	252.7	37.4	NM
DCF/debt (%)	5.2	NM	240.7	20.0	NM

Business Risk

CIMIC's diverse portfolio of projects, risk-sharing of large complex projects through JVs, and bidding discipline should support its cash flows and margins. Continued success in securing new work will remain key to earnings growth for the company. CIMIC's total work-in-hand for 2024 was A$40.2 billion, which includes A$21.4 billion in new work. This is an increase from A$31.7 billion at the end of 2023, which included 50% of Thiess' work-in-hand. The 2024 work-in-hand reflects the full consolidation of Thiess, which reported A$15.1 billion of its own work-in-hand in 2024.

The growth in CIMIC's stand-alone work-in-hand was driven by high growth in energy transition and advanced technology projects. The group's work-in-hand remained well-diversified in 2024, with 41% from construction, 26% from services, and 33% from contract mining.

CIMIC's risk management and financial policy framework help to mitigate the inherent above-average risks in the construction industry, which require sufficient financial buffer to offset performance risks. Contractors bear several operating risks, including misjudging project complexity potentially leading to timing delays and cost overruns. The company's move away from fixed-price turnkey contracts toward lower-risk, collaborative-style contracts, mitigates risk.

That said, CIMIC will take on fixed-price contracts when it believes the risks and returns are appropriate and where the company has proven expertise, for example, in simple road projects with limited interface risks.

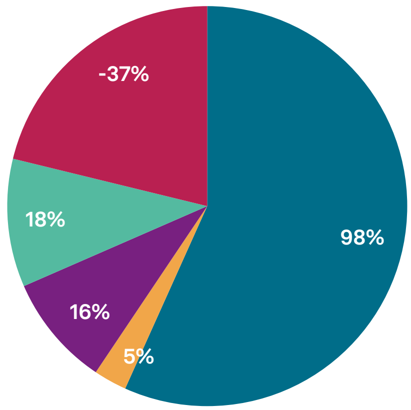
CIMIC is increasingly focused on energy transition infrastructure. Successful execution of the company's sustainability strategy will further diversify its operations. This would help support its work-in-hand and counter the impact of a slowdown in civil and transport infrastructure.

Financial Risk

We make the following adjustments to CIMIC's reported debt to calculate the company's financial ratios. For 2024, the material adjustments to CIMIC's reported financials include:

- Financial liability (Thiess put option) of A$1,073 million.
- Short-term and long-term lease liabilities of A$937 million.
- Trade receivables securitization net of cash withheld of A$278 million.
- Accessible cash of A$2,194 million (A$2,661 million reported minus A$467 million restricted).

Breakup of CIMIC Group's FY24 adjusted net debt



Source: Company reports, S&P Global Rating.

We fully consolidate Thiess following CIMIC's increased ownership to 60% from 50% in April 2024. The ownership increase in Thiess is incremental but enhances the economic and operational interest of CIMIC toward full ownership of Thiess. Elliott continues to hold a put option to sell its remaining 40% stake in Thiess to CIMIC between April 2025 and December 2026.

We believe the additional 10% stake acquisition signals CIMIC's intention to seek full ownership. The transaction has also reduced the group's structural complexity and raised CIMIC's operational control over Thiess. Accordingly, we fully consolidate Thiess in our adjusted credit metrics.

The terms of the put option associated with preference shares are such that Elliott will likely exercise the option, in our opinion. This could result in CIMIC owning 100% of Thiess by the end of the put option in December 2026. We continue to treat these preference shares as debt and the associated dividends as interest expense. This reflects their distribution priority in the payment waterfall and strong incentives that exist to ensure that fixed distributions on these shares will be made.

We view the fixed distribution requirement as debt-like. We also consider the preference shares as debt-like because, in our view, they do not form a permanent part of Thiess' capital structure (for details, see "Thiess Group 'BB+' Rating Affirmed On Strengthened Financial Profile; Stand-Alone Credit Profile Revised Up To 'bb'," published March 1, 2023.)

Ongoing discipline in working-capital management will remain key to CIMIC's cash flow and balance sheet. The group has introduced measures to improve cash flow, including stricter project selection processes. The use of receivables factoring (trade receivables securitization net of cash withheld) in 2024 was A$278 million, up from A$194 million in 2023.

Factoring is a key adjustment we have made to the group's reported debt. Given the high proportion of government customers in the receivables book, we anticipate CIMIC will continue to use this financing method. In our base-case scenario, we forecast the factoring balance, net of cash withheld, will be A$260 million-A$290 million. CIMIC no longer uses "reverse factoring" financing after canceling the program in September 2021.

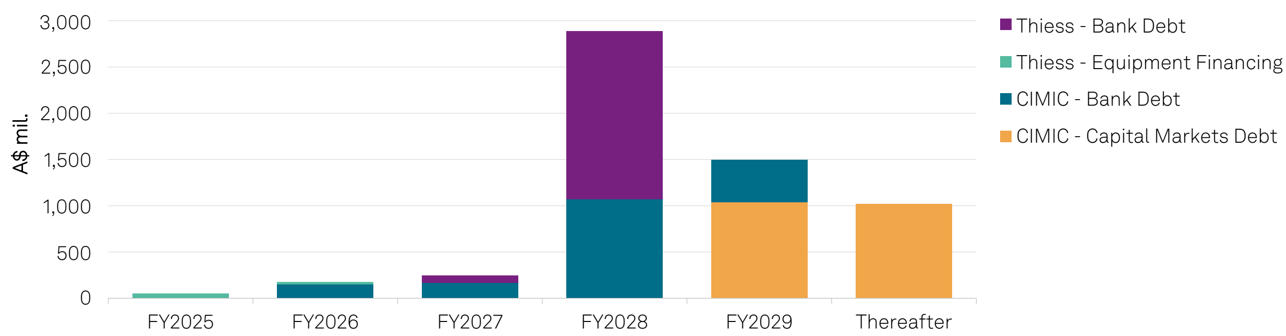
Maintaining minimum cash conversion of EBITDA (before factoring) to the mid-70% range is important for maintaining cash flow and debt at levels consistent with our credit metric expectations. CIMIC's reported cash conversion improved to 85% in 2024, up from 61% in 2023.

Given the group's contractual profile consists of about 90% lower-risk, collaborative-style contracts, we believe cash flow conversion should be more stable because these contracts are more likely to have smoother payment profiles rather than the irregular, large upfront cash advance payments common in fixed-price contracts.

Debt maturities

CIMIC has negligible debt maturities for the next two fiscal years

As of Dec. 31, 2024



Source: Company reports.

We expect CIMIC to effectively manage the maturity profile of its capital structure.

As of Dec. 31, 2024, the group had total drawn debt of A$5.8 billion, with a weighted-average debt maturity of about 4.5 years. Additionally, CIMIC has about A$2.6 billion in undrawn bank facilities with maturities exceeding one year and ranging from January 2026 to October 2029. Its capital market debt consists of a €625 million note and a US$650 million 144a note, maturing in May 2029 and March 2034, respectively.

CIMIC closely monitors any maturing bank facilities and typically seeks to refinance those facilities ahead of maturity. Accordingly, we expect the company will comfortably maintain a weighted-average debt maturity of above three years.

CIMIC Group Ltd.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	A$	A$	A$	A$	A$	A$
Revenues	15,829	11,219	11,362	13,062	16,231	16,758
EBITDA	2,183	(508)	1,218	1,330	1,539	988
Funds from operations (FFO)	1,656	(881)	1,030	889	1,062	218
Interest expense	142	158	261	348	474	637
Cash interest paid	177	199	129	298	387	565
Operating cash flow (OCF)	1,070	722	910	968	758	1,065

CIMIC Group Ltd.--Financial Summary

Capital expenditure	801	830	296	427	563	703
Free operating cash flow (FOCF)	269	(107)	614	541	194	362
Discretionary cash flow (DCF)	(311)	(406)	296	308	14	309
Cash and short-term investments	1,382	2,920	1,615	1,996	2,068	2,194
Gross available cash	1,382	2,920	1,615	1,996	2,068	2,194
Debt	4,239	3,595	2,908	3,970	3,296	5,968
Common equity	723	892	1,831	2,224	2,584	1,384
Adjusted ratios						
EBITDA margin (%)	13.8	(4.5)	10.7	10.2	9.5	5.9
Return on capital (%)	26.6	(26.1)	17.4	16.7	16.7	4.2
EBITDA interest coverage (x)	15.4	(3.2)	4.7	3.8	3.2	1.6
FFO cash interest coverage (x)	10.4	(3.4)	9.0	4.0	3.7	1.4
Debt/EBITDA (x)	1.9	(7.1)	2.4	3.0	2.1	6.0
FFO/debt (%)	39.1	(24.5)	35.4	22.4	32.2	3.6
OCF/debt (%)	25.2	20.1	31.3	24.4	23.0	17.8
FOCF/debt (%)	6.4	(3.0)	21.1	13.6	5.9	6.1
DCF/debt (%)	(7.3)	(11.3)	10.2	7.8	0.4	5.2

Reconciliation Of CIMIC Group Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. AUD)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	5,875	1,231	16,758	951	159	475	988	1,149	53	703
Cash taxes paid	-	-	-	-	-	-	(205)	-	-	-
Cash interest paid	-	-	-	-	-	-	(403)	-	-	-
Cash interest paid: other	-	-	-	-	-	-	(162)	-	-	-
Trade receivables securitizations	278	-	-	-	-	-	-	(84)	-	-
Lease liabilities	937	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(2,194)	-	-	-	-	-	-	-	-	-
Dividends from equity investments	-	-	-	37	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	122	-	-	-	-	-
Noncontrolling/ minority interest	-	152	-	-	-	-	-	-	-	-

Reconciliation Of CIMIC Group Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. AUD)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Debt: Put options on minority stakes	1,073	-	-	-	-	-	-	-	-	-
Interest: Shareholder loan	-	-	-	-	-	162	-	-	-	-
Total adjustments	94	152	-	37	122	162	(771)	(84)	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	5,968	1,384	16,758	988	281	637	218	1,065	53	703

Liquidity

We view CIMIC's liquidity as strong. We forecast sources of liquidity will cover uses by more than 1.5x over 2025. Also, we expect sources less uses to remain positive even if EBITDA declines 30%. This reflects the group's large cash reserves, undrawn bank facilities, and cash flow, which will more than offset short-term debt maturities and seasonal and nonseasonal working capital outflows inherent to the industry.

We also view the group as having sufficient covenant headroom and prudent risk management policies aimed at maintaining a strong liquidity position. The company continues to diversify funding sources and utilize revolving-credit facilities for working capital and standby liquidity. Our liquidity assessment incorporates CIMIC's ability to manage capex and asset disposals to support its liquidity needs.

Our key assumptions for CIMIC's sources and uses of liquidity over 2025, are as follows:

Principal liquidity sources

- Accessible cash and cash equivalents of about A$2.19 billion as of Dec. 31, 2024;
- Available undrawn committed bank facilities of A$2.6 billion with maturities greater than one year; and
- Cash FFO that we forecast at about A$1.5 billion.

Principal liquidity uses

- Solid cash conversion means working capital to be neutral to modestly negative of below A$100 million;
- Gross capex of about A$910 million; and
- Dividends of about 15% of net profit after tax.

Covenant Analysis

Requirements

Most of CIMIC's facilities are subject to the following covenants:

- Total liabilities plus 50% of contingent liabilities divided by total assets to be less than 125%
- Net debt-to-EBITDA ratio of less than 3.0x
- EBITDA-to-interest charges ratio of above 3.0x

Compliance expectations

Under our base case, CIMIC will maintain an adequate cushion against its covenants.

Environmental, Social, And Governance

Environmental factors are an important consideration in our credit rating analysis of CIMIC. This reflects the company's exposure to waste management and carbon emissions as a leading player in the engineering and construction sectors, and its exposure to mining, particularly for coal, through its mining services business.

CIMIC aims to reach net-zero emissions for Scope 1 and Scope 2 by 2038, and for Scope 3 by 2045. The group is on track to meet its target for reducing Scope 1 and Scope 2 emissions by 20% from 2019 levels by 2025.

In our view, successful decarbonization efforts are intrinsically linked to enhancing CIMIC's business. For instance, we consider the group to have more control over its Scope 1 and Scope 2 emissions. This is given the emissions are largely a function of operational activities. Accordingly, efficient energy management would yield environmental benefits while also lowering operational costs for the business.

In April 2024, CIMIC increased its ownership in Thiess to 60% from 50%. Elliott retains a put option to sell its 40% stake in Thiess back to CIMIC between April 2025 and December 2026. We believe the terms of the put option are such that Elliott will likely exercise the put. This could lead to CIMIC owning 100% of Thiess by the end of the put option in December 2026.

If this scenario occurs, CIMIC would have increased exposure to thermal coal, which comprised 28.6% of Thiess' revenue in 2024. That said, Thiess continues to diversify away from coal to other critical mineral contracts. The company is ahead of schedule to lower its thermal coal exposure to below 25% in 2027. It has also set a new target to decrease exposure to under 20% by 2030.

From a social risk perspective, the group's large workforce and nature of activities expose it to material health and safety risks. That said, the group has appropriate health and safety risk management systems and processes in place to manage these risks.

Group Influence

We consider CIMIC to be a core subsidiary of the ACS group because of its strategic and financial importance to the group. As a result, we equalize our ratings on CIMIC with the ratings on ACS. ACS owns about 80% of Hochtief, which in turn owns 100% of CIMIC.

Issue Ratings--Subordination Risk Analysis

Capital structure

The issue ratings for CIMIC's debt instruments, excluding those related to Thiess, are rated 'BBB-', consistent with the issuer rating.

We believe there are no material structural subordination risks posed by the Thiess group. This is because the debt instruments for both CIMIC and Thiess are positioned at the same structural level as their respective operating assets. Each entity maintains clearly defined, independent debt structures and operating cash flows.

Accordingly, we believe that CIMIC's lenders (excluding those to Thiess) are not materially disadvantaged by debt located within its income-generating subsidiary at Thiess.

Analytical conclusions

We rate CIMIC's debt instruments 'BBB-', the same as the long-term issuer credit rating, because no significant elements of subordination risk are present in the company's capital structure, in our view.

Rating Component Scores

Foreign currency issuer credit rating	**BBB-/Stable/A-3**
Local currency issuer credit rating	**BBB-/Stable/A-3**
Business risk	**Satisfactory**
Country risk	Low
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb-**
Group credit profile	**bbb-**
Entity status within group	**Core**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Legacy Project Issues Weigh On CIMIC, Aug. 25, 2024
- CIMIC Group Ltd. 'BBB-' Rating Affirmed On Increased Thiess Ownership; Outlook Stable, May 29, 2024
- CIMIC Group Ltd., March 4, 2024

Ratings Detail (as of April 13, 2025)*	
CIMIC Group Ltd.	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Issuer Credit Ratings History	
09-Mar-2021	BBB-/Stable/A-3
21-Oct-2020	BBB/Watch Neg/A-2
16-May-2018	BBB/Stable/A-2
Related Entities	
ACS, Actividades de Construccion y Servicios SA	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BB+
Dragados SA	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
HOCHTIEF AG	

Ratings Detail (as of April 13, 2025)*	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Thiess Group Holdings Pty Ltd.	
Issuer Credit Rating	BB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.